

**FHA Appraisal Inspection Requirements
September 18, 2014**

Question & Answers

Q. What about interior photos? Are photos of all rooms required?

A. Interior photos are not required by FHA; however, if there is a functional obsolescence, photos are required. Photos are recommended by FHA to be included in the appraisal report to help support your conclusions regarding the condition of the subject property.

Q. Are natural gas floor furnaces acceptable?

A. As long as it's adequate to heat the home and meets local building code, it would be acceptable.

Q. What if the crawlspace has vents that do not allow for "head and shoulders" access?

A. All crawl spaces must be inspected by at least a "head and shoulders" inspection. If access is not available, condition the appraisal on access being made and a re-inspection.

Q. What if there is no access to the attic for the appraiser to make a "head and shoulders" inspection?

A. The appraiser should condition the appraisal for access to the attic and must re-inspect the property when available.

Q. What if entrance to attic is via 10 foot+ ceiling height?

A. If access to the attic is dangerous, condition the appraisal on the inspection being conducted by someone the lender deems qualified.

Q. Re-paint requirements are for before 1978 and after 1978. What about the year 1978?

A. The protocol is prior to 1978.

Q. Post-1978 interior paint is peeling paint – is this acceptable?

A. It could be considered cosmetic but must be reflected in the valuation of the subject property.

Q. What additional reporting is required for a flat roof?

A. Flat roofs must be inspected thoroughly on the inside of the dwelling for signs of failure or leakage. If the roof is not observable, the appraiser will look for and include in the appraisal report any telltale signs of roof problems on the interior, such as damage or water stains to the ceiling area of a room or closet. The appraiser must note in the appraisal report that he/she could not adequately observe the entire roof area (state which areas were unobservable).

Q. Since I am not an electrician do I need to make sure all remodeled homes have updated panels?

A. The appraiser must test a representative sample of electrical outlets and switches. Also ensure that the electrical system meets local jurisdictional code.

Q. What criteria must a room meet in order to be considered a bedroom?

A. The market will set the standard for most bedrooms. FHA requires all bedrooms have access to the exterior of the dwelling, usually by a window. The room should have privacy; usually with a door.

Q. If a bedroom with no closet is a market negative should we then require a closet be installed or just adjust for functional obsolescence?

A. A closet in a bedroom is not a mandatory FHA requirement but should be considered in the valuation of the subject as a functional obsolescence.

Q. What should the appraiser do if a physical disability prevents inspection of the attic area?

A. The appraisal should be conditioned to have the lender require an inspection by a person they deem qualified.

Q. Did you say no bars allowed on any windows or just bedrooms?

A. Security bars on bedroom windows must have a quick release system. If security bars are located on other windows, FHA will accept this, as long as it is acceptable to the local governing authority.

Q. Are there any sub-tropical areas in U.S., such as southern Florida and Hawaii, that do not require a permanent heat source anywhere in home?

A. Verify the location with the jurisdictional Homeownership Center.

Q. Are creative construction techniques limited to the subject dwelling only, or to other detached structures as well?

Example: incomplete structures or structures built without permits.

A. The property must meet HUD's Minimum Property Requirement protocol and meet all local jurisdictional codes. Outbuildings, garages, etc., must be in compliance as well.

Q. What if the appraiser has a physical condition that prevents him/her from climbing a ladder? Are they prevented from doing FHA appraisals because they cannot access an attic through a scuttle opening?

A. The appraisal should be conditioned to have the lender require an inspection by a person it deems qualified.

Q. Is it a requirement for a house to have gutters and downspouts?

A. Gutters and downspouts are not an FHA requirement. The property must have positive drainage away from the foundation.

Q. How do we address a home on a septic system designed for 3 bedrooms? The home has two bedrooms with closets and two rooms used as bedrooms with no closets. FHA classified this as 4 bedroom home, exceeding septic design.

A. Septic system must be adequate to service the home. If there are doubts as to the septic system, the appraisal should be conditioned for a septic inspection by a qualified professional.

Q. How do underwriters determine if distance requirements are met if the appraiser isn't required to report the distances?

A. FHA requires the appraiser to report if the distance separations do not meet FHA guidelines. If there is a question, ask for a survey.

Q. Does HUD want a cost-to-cure to hook up to public water?

A. 3% of the value is the recommended guideline. The DE Underwriter makes the final determination if the connection would be feasible.

Q. What is the recommendation when inspecting a property that has excess belongings that limit the ability to view all walls and floors?

A. The appraiser should do the best that he/she can do when inspecting a property. If the condition hinders an adequate inspection, the appraisal should be conditioned and a re-inspection be completed.

Q. Is chalking on pre-1978 aluminum siding considered a paint defect that needs to be corrected?

A. Yes. The possibility of lead-based paint exists.

Q. If lenders require a definitive determination regarding property line setbacks, how should this be handled? Example: unseen items like drain fields, etc.)

A. A site survey should be obtained. The DE Underwriter makes the determination.

Q. Is distance of well to septic, leach field and property line required?

A. FHA requires the appraiser to report if the distance separations do not meet FHA guidelines. If there is a question, ask for a survey.

Q. Is it acceptable for an appraiser to state that the property meets HUD requirements to satisfy the well and septic distances?

A. Yes. FHA requires the appraiser to report if the distance separations do not meet FHA guidelines. If there is a question, ask for a survey.

Q. What type of issues are we looking for in the attic?

A. Ventilation, water leakage, fire damage, etc. The appraiser must enter the attic and observe the interior roof structure and attic for evidence of leaks, water damage, structural problems, previous fire damage, fire-retardant treated (FRT) sheathing, exposed and frayed wiring, deficient materials, deficient insulation and adequate ventilation by vent, fan or window.

Q. Where can I get an updated copy of the handbook?

A. The current handbook is 4150.2 and is found at www.HUD.gov. Go to "Audiences" and then click "Appraisers", or it can be found on HUDClips at http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/appr/apprmls

Q. If local permitting authorities have approved a distance of less than 75' between well and drain field, is that acceptable to HUD?

A. The lender will need to submit a waiver request for this to the jurisdictional Homeownership Center to have it reviewed. Contact the FHA Resource Center at 1-800 CALL FHA (225-5342) to receive the guidance.

Q. You mention that a Liquid Propane (LP) tank cannot be located within a crawl space or basement. Is an LP-fired furnace acceptable if it is located in the crawl space?

A. A propane heater in the crawl space is not an acceptable heat source.

Q. In rural areas there is agricultural zoning and use nearby; what is it's within 1/4 mile of the subject property?

A. Please see HUD Mortgagee Letter 2005-48 for guidance.

Q. If you recommend a roof inspection does the report have to be conditioned?

A. If a roof inspection is recommended then the appraisal should be conditioned.

Q. What is the rule for private streets and shared driveways?

A. Private streets must be protected by a permanent recorded easement or owned and maintained by a Homeowners Association (HOA). Shared driveways must be protected by a permanent recorded easement. Maintenance agreements are not required.

Q. If the appraiser doesn't provide well-to-septic distances, can we use the seller's original survey if it is available, or does it have to be a new survey?

A. The original survey should be acceptable as long as there haven't been any changes to the systems.

Q. Is it necessary to measure the distances from the structure and the property lines?

A. No. FHA has no minimum distance for structures to property lines; although, the distances must always comply with local codes.

Q. What are the minimum distances for well and septic to the property line?

A. Please see Mortgagee Letter 2002-25 for guidance.

Q. Are you aware that for HUD Real Estate Owned (REO) properties, the HUD Asset Manager does not provide the lender with a copy of the initial HUD REO appraisal? When we order a new appraisal for the purchase of HUD REO, do we instruct the appraiser to appraise it using the Appendix D protocol?

A. Yes, and all other applicable Handbooks and Mortgagee Letters.

Q. Is Vinyl or Aluminum skirting allowed to be used with a manufactured housing unit?

A. FHA requires the crawl space to have a continuous perimeter enclosure of a permanent type construction (block, brick, concrete, etc.). Vinyl and aluminum skirting is allowed to cover the permanent foundation types referenced above.

Q. What are the requirements for in-ground pools that are in disrepair? Is it acceptable to call for a safety cover to be installed, or must the pool be repaired or filled in?

A. The property must be free of safety hazards. A safety cover would be acceptable as long as it is a regulation cover for the pool. Additionally, the property must meet local jurisdictional code for in-ground pools.

Q. Does the appraiser complete the Form 1004D for an appraisal made subject-to the roof inspection or any other licensed inspection?

A. It can be done by the appraiser or a qualified professional whom the lender deems qualified.

Q. Is the \$5,000 limit for insurable with escrow or uninsurable exclusive to Minimum Property Requirements (MPR) repairs?

A. The DE Underwriter makes that determination.

Q. What happens if you are appraising a single family home with a manufactured house on the subject site?

A. All of the improvements must comply with the local jurisdiction zoning and codes. If the manufactured home is being lived in, it must comply with all of FHA's requirements, including having a permanent foundation. If the manufactured home is used for storage, it must comply with FHA's Minimum Property Requirements.

Q. Are natural gas floor furnaces (1940's model) acceptable?

A. They are acceptable as long as there is adequate heat for the dwelling and that the unit/system meets all local jurisdictional code.

Q. What is a site condominium?

A. A site condominium is generally a detached dwelling that is encumbered by condominium property rights. Site condominiums must be appraised utilizing FNMA form 1073.

Q. Must all manufactured homes appraisals be subject to a foundation inspection by a third party?

A. The property must have been constructed after June 15, 1976 and be on a permanent foundation in accordance with HUD's Permanent Foundation Guide for Manufactured Housing (PFGMH). A certification must be obtained from a licensed professional engineer, or registered architect, who is licensed/registered in the state where the manufactured home is being located, attesting to compliance with the PFGMH.

Q. Is there a specific certification we need to submit with site condos or does the lender simply accept the appraiser's declaration of the site condominium status?

A. Title would indicate if the property is of condominium ownership and should be appraised as such.

Q. What determines when an Accessory Dwelling Unit (ADU) is a two-unit for appraisal and mortgage limit purposes?

A. It would depend on the property being appraised, how it's taxed, assessed, etc. An ADU must be subservient to the main dwelling. Refer to Handbook 4150.2, Appendix D.

Q. What are requirements for properties with no permits (e.g., finished basements, kitchens, etc.)?

A. The property must meet HUD's Minimum Property Requirements and meet local jurisdictional codes. In addition, the property must meet legal requirements.

Q. As an Appraisal Management Company (AMC), can we use all or any portion of your slides to educate the appraisers on our panel?

A. The entire presentation will be available on the HUD Webcast Archive system in the near future. Visit:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/events/sfh_webinars

Q. Should the square footage of Accessory Dwelling Units (ADU) be included in the square footage of the total Gross Living Area (GLA)?

A. FHA has no-set policy. That will depend on how the market and the appraiser's peers view the subject property.

Q. Are USDA inspections and requirements the same as those of FHA?

A. Please contact USDA.

Q. Is a log home comparable required when appraising a log home? Is the property ineligible if there are none, due to lack of turnover, even if they are accepted by the market?

A. The property must be acceptable to the market and maintain continuing marketability. Log homes general fall under FHA's unique property protocol.

Q. Why is it necessary to use the FNMA form 1073 with site condominiums?

A. As it is condominium ownership, the protocol is to appraise the property on FNMA form 1073.

Q. What are the requirements for Power Line fall zones?

A. The property must be out of the fall distance of the towers.

Q. If previous termite infestation (not active) is observed, does this require conditioning for further inspection report?

A. All conditions affecting the health, safety, and security of the subject property should be reported.

Q. When will the new appraiser handbook be available?

A. No timetable has been established as it is currently going through the approval process.

Q. Which exhibits are required for new construction?

A. Please refer to slide 61 of the presentation.

Q. What are FHA's inspection requirements for built-in garages? Do garages have to be sheet rocked?

A. Property must meet local jurisdictional fire and building codes in order to be an eligible insurable property.

Q. What is a sufficient amount of gutters? What if there are no gutters?

A. Gutters and downspouts are not an FHA requirement unless they are required by the local governing authority. The property must have positive drainage away from the foundation.

Q. Do modular homes have a tag for each section like manufactured homes?

A. Modular homes are constructed under state regulations and do not have manufactured home tags.

Q. Do interior walls need to be included on the floor plan sketch?

A. Interior walls are not required unless functional obsolescence exists.

Q. Where can I find the Property Condition Report (PCR)?

A. The Management & Marketing (M&M) contractor should have this document.

Q. Does the skirting for an existing manufactured home that was not originally set up in accordance with FHA guidelines have to be constructed to the same standards as new construction?

A. FHA requires the crawl space to have a continuous perimeter enclosure of a permanent type construction (block, brick, concrete, etc.) If vinyl skirting is over this, it would be acceptable.

Q. Can an appraiser change the name of a mortgage company for an FHA appraisal submitted two months ago?

A. No changes are to be made to appraisal reports once submitted.

Q. How do I handle a ten year old roof with an active leak and ceiling damage? Should it be subject to a new roof, or subject to a roof inspection?

A. The property should have an inspection and should be repaired to meet HUD's Minimum Property Requirement protocol.

Q. How do you report density for condominiums?

A. Refer to FHA's appraisal protocol as found in handbook 4150.2, Appendix D.

Q. Is a separate engineer's report or other approval for porch or deck add-on to manufactured home required?

A. Yes. A structural engineer or architect licensed in the state of the subject property can provide certification.

Q. Can a site condominium be an attached duplex condominium?

A. Site condominiums must be a single family, detached dwelling.

Q. If the appraisal report is made subject to a survey, what is the appraiser's responsibility after the report is delivered to client?

A. Any condition to an appraisal that involves technical expertise does not require the appraiser to verify.

Q. Are concrete runners with tie-downs acceptable for manufactured housing?

A. Manufactured homes must have foundations that comply with the Manufactured Home Permanent Foundation Guidelines.

Q. If the attic scuttle is sealed on a new construction property, is the appraiser required to cut open the scuttle to do a head & shoulders inspection?

A. The appraiser should condition the appraisal for access to the attic and must re-inspect the property when available.

Q. What are the requirements for appraisals that do not support a purchase agreement and the lender provides a revised purchase agreement with a new price? Does FHA allow the first page of the appraisal report to be revised if a comment is included within the report as to why it was changed after the original report was submitted?

A. The appraisal cannot be modified.

Q. What if a property is showing efflorescence on concrete walls in the basement? There is no peeling paint, but would this need to be painted?

A. The condition must be noted in the appraisal report and the DE Underwriter makes the determination if an inspection is needed or not.

Q. What are FHA's requirements for burglar bars?

A. Security bars on bedroom windows must have a quick release system with no key required. If security bars are located on other windows, FHA will accept this, as long as it is acceptable to the local governing authority.